

THE

June, 1961

Satellite-trackers' credit  
union—page 1

Paying part-time  
staff—page 10

# Credit Union

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

*Bridge*



# ON THE COVER

Silhouetted against the skyline of Montreal, the credit union's 1961 convention city, are (left to right) Leonard R. Nixon, Kensington, Connecticut, new CUNA secretary; R. C. Morgan, El Paso, Texas, president; and John Helton, Martinsburg, West Virginia, reelected CUNA treasurer. (See story, page 5)



# The Credit Union Bridge

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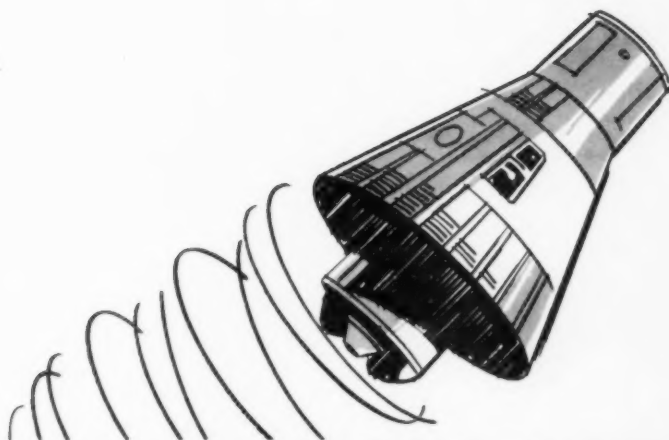
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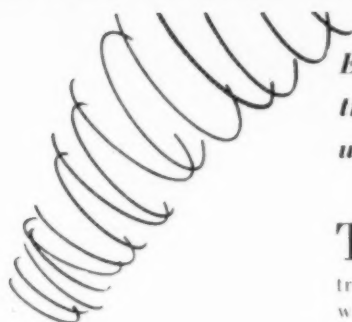
## COMING SOON

Credit problems of service men

Texas' credit union auto insurance



# COUNSELING SPACE SCIENTISTS



*Even the math sharks who work at computers tracking satellites sometimes have trouble understanding installment contracts*

The computer they are using right now will handle 229,000 additions in one second.



THE loan applicant was a kindly middle-aged scientist, with the trusting eyes of a small child. His job was tracking satellites. He said to the credit union treasurer, "A friend of mine advised me to see you before signing this automobile purchase order."

The manager, a bright practical woman, looked at the contract and gasped. "Do you know this dealer personally?" she asked.

"No," said the scientist. "But he seemed like a very nice man. He was kind when he saw that I didn't like business details, and he told me he would take care of everything."

"His kindness adds up to quite a sum," said the manager. "I'll call him on the phone." She got a list of all the items, extras, insurance and additional fees and totaled them on her adding machine. Then she began pressing the subtraction key.

By eliminating some chrome and deluxe extras and financing through the credit union, she informed the scientist, he could save \$500. If he would buy a smaller car, more suitable to his limited driving needs, he could save another \$500. The scientist, with his formidable capacity for dealing with mathematical abstractions, yielded to the commonsense arithmetic of the woman, accepted

her advice and saved himself a thousand dollars.

This was a not uncommon event in the routine of the credit union that serves employees of Space Technology Laboratories in El Segundo, California. STL Credit Union, whose manager is Mrs. Jane Court, has many members who spend their days and nights interpreting signals from space and operating giant computers. The company has 6,000 employees, ranging from maintenance men to top-flight scientists, and the credit union has members at all levels.

"I am proud of these talented credit union members," says Jane Court, who is possibly the youngest grandmother managing a credit union, "and a little scared of them. At times when I sit with them in the cafeteria or the credit union office, they go off into arguments about the universe in their mathematical lingo, and I get hopelessly lost. I figure in my mind that only God and Albert Einstein could understand what they are saying."

## Quick computing

When Pioneer 1 streaked off into space two years ago, the Space Technology Laboratory of El Segundo tracked it for eleven hours on an IBM 704 computer. A man with a desk

Mrs. Court says she has a hard time understanding what her members are talking about some times, but they take her word when it comes to credit problems.

calculator would have taken 375 years to make the same calculations. The curvature of the earth makes it impossible for any one laboratory to track a satellite continuously, so El Segundo is connected by teletype to other stations in Manchester, England; Cape Canaveral; Singapore; Hawaii; Millstone, Massachusetts; and Goldstone, Nevada. The equipment used at El Segundo keeps changing. The IBM 704 has now been replaced by an IBM 7090, which operates sixty times as fast; it can perform 229,000 additions in one second, or 39,500 multiplications.

#### **Rolls Royce fever**

But when the men who operate these computers need a car loan, they often have as much difficulty as anybody else in figuring out rates. But they also have enough faith in figures so that when Jane Court shows them in simple arithmetic what a deal involves, they let themselves be persuaded against their more emotional impulses—like the member who wanted to buy a Rolls Royce.

This loan applicant was one of the higher-paid specialists in his department. He had a taste for new cars and prestige models. He also, naturally, had a special interest in fine engineering. On the other hand, he had formed the habit of consulting Mrs. Court before buying in order to find out what effect his next purchase would have on his payroll deductions for shares. So when he decided he wanted a Rolls Royce, he talked to Mrs. Court.

How much, he asked, was the least he could divert from his monthly payment on shares in order to finance the Rolls Royce he wanted? Jane Court went to a five-year payment plan, and announced that even over this period he would have to pay \$166 a month on the car. He shook his head.



"That's too big a bite out of my savings," he conceded. "Get out your automobile blue book and we'll pick out another make." He compromised on one of the larger compacts, and assured Mrs. Court as he left that he felt sure the big computer would sustain her calculations if he coded all the factors and put them through.

#### **Striking savings**

One of the striking things about this credit union is the way the members save. The present STL credit union is an offshoot of an older credit union, which was split in two parts in 1958 when the El Segundo station was established. About 50 percent of the workforce came from an earlier loca-

tion. At that time the members numbered 2,213 and assets totaled \$1,440,000. Now, after three years, members number 5,756 and assets have reached \$4,230,000. With share accounts over \$4 million, members are paying around \$300,000 a month on loans and shares through payroll deduction. Control A of the individual share accounts, which consists of 500 members mostly veterans, totals \$755,000—which means these members have an average share account over \$1,500, nearly four times the national average.

Personal loans are made for the usual provident and consumer buying purposes. There is also a steady demand for real estate loans, which may be inevitable in any credit union



where saving runs high and extra cash is available. Real estate loans are made on 60 percent of the value of homes, and have proven a safe outlet for the funds built up by steady share purchases. It has also proved a field in which it is possible to give members emergency service.

### Bank rejects

For example, there was the young and talented computer expert who had been rejected by the bank. He did not know a state-chartered credit union could make real estate loans. When he went to the bank and applied, the loan department applied its formulas and turned him down. At this point he came to the credit union to ask for advice. He needed the home badly, but the money involved was more than the credit union would normally lend. A check revealed that his character was rated very high in his department, so high that two fellow workers agreed to sign as co-makers. An appraisal of the house showed that it was good and well located. So with co-makers as additional security, the loan was made.

In another emergency, the credit union helped one of its members rescue his father. The member was a young mechanic. One day he got word that his father had been injured, was out of work, and the family home was threatened with foreclosure. The credit union found some co-makers, loaned its young member the necessary money, and the check was mailed to the impatient home-town bank, paying off the mortgage loan in full. As it happened, this was Christmas week, and the injured father got his canceled mortgage note, marked paid in full, as a Christmas gift.

### Practical details

If Jane Court lacks the higher mathematical gifts of some of her members, she makes up for it with her practical grasp of the details of a sales finance contract. She also makes up for it with her pleasant personal relationship with members. She has no private office; her small desk is at the right of the glass partitioned tellers' counters. For a four-million dollar credit union, the office is unusually small. Despite the use of payroll deduction, there is a constant flow of members through these basement quarters, asking for information and making out applications.

"We like the over-the-counter con-



James W. Brown, credit union veteran from California, visited the STL credit union for The Bridge and interviewed Jane Court. A man of generous enthusiasms, when Jim Brown finds a credit union that he admires, he knows no rest until the world has heard about it. In the present case he also challenges the credit union movement to produce a younger grandmother than Mrs. Court in a management position.

tacts," says Mrs. Court. "We get to know the members, and the personal contact makes it possible to give helpful counseling and prompt action on emergency loans."

The entire staff is made up of married women—Jerry Coulombe, Eileen Andrews, Rose Geiger, Tsutuske Takahashi, Eleanor Dyhr, Gloria Tickton, Shirley Corwin and Betty Arndstein. Their spirit of teamwork is grand, says Mrs. Court. "They like their work and have a high sense of loyalty to the credit union," she says. "I remember an outstanding example of this. One of the girls, who is an exceptionally skilled accountant, had to quit on account of the birth of her baby. The girl who replaced her was nervous and made several errors in posting ac-

counts. At the end of the month, the individual share and loan balances were out of balance with the control figure in the general ledger. The new mother, a little pale and wan, was so interested in the welfare of the credit union that she came back to work for a few days—and with her expert help we located the errors."

The STL credit union will continue to grow and serve its members as far as one can see ahead, Mrs. Court believes. A loan officer was recently appointed, and the number of loans made now runs between 400 and 500 a month. The members go on with their strange work, plucking information out of space, and Mrs. Court goes on helping them keep their feet on the ground.



Kenneth Marin, Michigan, newly-elected president of CUNA Supply Cooperative.



William W. Pratt, Pennsylvania, named president of CUNA Mutual Insurance Society at Montreal.



QUEBEC SENATOR CYRILLE VAILLANCOURT described the life and contributions to the credit union movement of Alphonse Desjardins. The senator, who is manager of the Federation de Quebec des Caisses Populaires Desjardins, was featured speaker at a banquet sponsored by Canadian leagues.



SECONDS AFTER THE ELECTION, Mr. and Mrs. R. C. Morgan show victory smiles after Morgan was elected CUNA president to succeed Julius Stone.



NEW CUNA EXECUTIVE COMMITTEE, with members of management staff, shortly after the annual elections in Montreal. Shown seated are Vice-President Mildred S. Boyd, California; First Vice-President Elmer M. Johnson, Rhode Island; Secretary Leonard R. Nixon, Connecticut; President R. C. Morgan, Texas; Treasurer John Helton, West Virginia; Immediate Past President Julius Stone, Massachusetts (ex officio); and Vice-President John S. Hiam, Alabama.

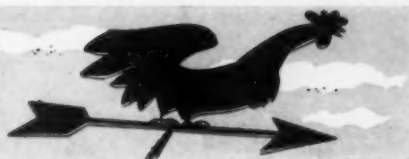
Standing: CUNA Assistant Managing Director J. Orrin Shipe; Vice-President Joseph O'Connell, Nova Scotia; Vice-President A. R. Glen, British Columbia; Vice-President H. E. McArthur, Illinois; Vice-President Lorrell S. Bruce, West Indies; Vice-President Sydney B. Wesler, New York; Vice-President Lloyd Mansfield, Washington; Vice-President Curtis L. Shackelford, Virginia; Vice-President M. A. Stepherson Jr., Tennessee; Vice-President Lauren L. Plummer, Kans.; CUNA Comptroller John F. Brady; CUNA Canadian Manager Robert Ingram; and CUNA Managing Director H. Vance Austin.

## Camera in Montreal



TUCKED AWAY IN THE SHADOW of Notre Dame cathedral in Montreal is the office of the Caisse Populaire Notre Dame de Montreal. The cathedral, visited by many credit union visitors from the U.S., is shown in the larger photo, with a close-up of the Caisse Populaire shown in the inset.

## *in the NEWS*



**The new president** of the Credit Union National Association is R. C. Morgan, a national director from Texas, who has served as president of the Texas League and chairman of the CUNA resolutions committee. He is manager of the El Paso Government Employees Credit Union. He replaces Julius Stone, who served as president for two years. The opposition candidate was J. D. Nelson MacDonald, Nova Scotia clergyman, who had just finished two years as president of CUNA Mutual Insurance Society. The vote was 124 to 109.

**The other contest** for CUNA office was for the position of secretary. Leonard R. Nixon was elected, running against Halley Thomas of Utah. Nixon is managing director of the Connecticut League, has served for several years as chairman of the CUNA planning committee, and has just completed six years as president of CUNA Supply Cooperative. The vote was close: 117 to 116.

**John Helton** was reelected treasurer of CUNA without opposition. Helton is a national director of CUNA representing West Virginia, and was first elected treasurer in 1960. **Elmer Johnson** of Rhode Island was elected first vice president of CUNA by the executive committee, replacing Lauren Plummer of Kansas.

**The meetings** took place in Montreal, the first time a CUNA annual meeting has been held outside the United States. By contrast with the 1960 meeting, the proceedings were generally peaceful. The chief controversy came over the question whether J. D. Nelson MacDonald was eligible to run for president, since CUNA bylaws provide that no two members of the executive committee shall come from the same state or province, and eastern Canada had already seated a Nova Scotian on the executive committee as its district vice president. While MacDonald's backers urged the meeting to seek some way around the bylaws and Morgan's backers argued that any such action would be illegal, the way adopted to get out of the dilemma was to hold the vote and defer the legal problem. After the votes were counted, the legal problem no longer existed.

**CUNA Mutual and CUNA Supply** also held elections during the week. Elected president of CUNA Mutual was W. W. Pratt, executive director of the Pennsylvania League and veteran member of the CUNA Mutual board. The new president of the CUNA Supply is Kenneth Marin, president of the Michigan League. Other CUNA

Mutual officers elected were: C. Frank Pratt, vice president; W. G. Lonergan, secretary; and A. P. Quinton, treasurer. Other CUNA Supply officers: Lyle Richmond, vice president; Charles Stark, secretary; Ray Zoucks, treasurer.

**Numerous decisions** were made during the week affecting various phases of the CUNA program.

The question what to do about assistance to **large credit unions**, which has been the major controversy of the past year, was pushed toward a solution but did not quite reach it. Two CUNA staff men, John Bigger and Bob Rodreick, presented proposals for a wide-gauge program of conferences and research for large credit unions to a committee made up of representatives of CUNA and the directors of the National Credit Union Management Conference. At stake, from the CUNA point of view, was the right of large credit unions to form their own organization and set up their own Washington office; this CUNA has been resisting. Committee members who listened to the Bigger-Rodreick presentation seemed impressed but said they would need more time for consideration. Thus the question whether large credit unions will go their own way remains unanswered.

**Stabilization** took a significant small step forward. The week before the meetings, incorporation papers were filed for the CUNA Stabilization Program, Inc., and in Montreal the directors held their first meeting. They elected W. O. Knight, Jr., president; Wayne Bornemeier, vice president; and Forrest Foster, secretary-treasurer. Accepted into membership in the new corporation were leagues from North Dakota, South Dakota, Texas, Michigan and Nebraska. Discussions at the meeting indicated that from five to ten more leagues will probably join before the end of the year. By-laws of the corporation have now been revised and are ready for distribution to league officers. This step, which came after five years of preparatory study, must be called small because the money collected for the program will increase slowly, at an annual contribution rate of \$2 per affiliated credit union. The program is voluntary, with leagues participating at their own option; it is open only to leagues with stabilization programs in operation.

Steps to plan a **new structure** for the credit union movement were also initiated. A resolution calling on the planning committee to prepare a

*(Continued on page 32)*

# 'For people, not dollars'

## ... Julius Stone

**T**HIS meeting in Montreal, our first annual meeting outside the United States, was planned in order to acknowledge our debt to the great Canadian credit union leader, Alphonse Desjardins.

Sixty years ago he organized the first *caisse populaire*. He studied the principles of credit union operation as they had been developed in Europe, he gave his own life to the development of credit unions in Quebec, he visited Massachusetts in 1909 and helped write the law under which the first credit unions were chartered in that state, he organized credit unions in New Hampshire and Rhode Island, he helped write the New York credit union law—but, more than all that, he brought to North America the very best elements of the credit union philosophy of Europe. He, as much as anybody, expressed the principle which we recognize as our basic philosophy—that a credit union is an association of people, not of dollars. This principle is the rock on which everything else has been built. We are working for people, not for dollars. We are making money the servant of man. The noble spirit of Alphonse Desjardins constantly reminds us that love of God and love of neighbor are one and the same thing, and that a credit union is one of the best instruments through which this principle can be put into practice.

It would be easy for us perhaps, to get the impression that what happens here, today and tomorrow, is the most significant news in the credit union movement, but that is surely not the case. The significant events in the credit union movement are the events that take place in our credit unions. When a credit committee approves a loan that helps lift a member out of trouble, when a credit union officer gives a member a word of advice or information that helps him manage his money better, when a member who has never been able to save learns the habit of thrift, when a family in

distress is held together, when an average man or woman learns the joy of service—these are the significant events in the credit union movement. We are here today simply to provide the framework, the protection, the training, the additional services, that make real credit union service to members possible. You cannot really measure the credit union movement by statistics, because the love of a man for his neighbor is not a statistic.

It does not matter whether a credit union is large or small; it does not matter what its average loan is or what its average share account is. What does matter is whether the credit union is motivated by reverence for human life or by respect for the dollar.

In the last two years we have been surprised by two new trends, which contradict each other. On the other hand, as our movement has grown overseas, many observers have suddenly discovered the value of credit unions in helping people to help themselves, and we have been praised for our fine service and encouraged in many ways to extend it to as many people as possible. On the other hand, in the United States, various financial interests have begun to complain about our growth, to call us dangerous competition enjoying unfair advantages, to attack us in the legislatures, and to set up competitive on-the-job programs. These two trends are a little bewildering; it is confusing to be heroes in the morning and villains in the afternoon.

Let us consider first the overseas question. As I remarked yesterday to the Executive Committee, our meeting in Montreal dramatizes the fact that we have recently become a truly

international movement. Yesterday morning we had affiliated leagues in ten countries; this morning the number is eleven, because yesterday we accepted into membership the League of the Netherlands West Indies. We also accepted for direct membership three credit unions in Ireland. Last year I had the pleasure of visiting with the leaders of the credit union movement in the Philippines, whose League joined us at about that time, and for me personally this was an experience that produced deep feelings. I come from a state whose credit union law owes its character chiefly to the assistance of the Canadian, Desjardins; I was going to an island commonwealth which was once American territory, but now is an independent democratic country; I was able to go there as an equal and as a brother, making no apologies, because the bond that unites us now is not the bond of colonialism but the bond of brotherhood. If this world needs anything most of all, it is, as we all know, this kind of brotherhood between peoples, and it is a hopeful sign that we all must cherish to see this bond of brotherhood as it is now growing in the credit union movement. We are used to the expression, "*the common bond*," in our credit union charters, but there is another common bond which the credit union movement is creating, the common bond that unites credit union people around the world, which we all must preserve and nurture to the best of our ability, because it is, I believe, the finest practical expression yet of our philosophy. Some of us have come here from distant lands, but none of us came here to discuss money, we came to discuss our common concern for people.

On the other hand, what about  
(Continued on page 30)



# THEY DON'T KNOW THE INTEREST RATES

*Interviews with a 5 percent sample  
of members of two hospital credit unions  
bring out lack of information*

"YES"  
15

"NO"  
42

**F**EW credit union members know what interest rate they pay on a credit union loan. Many go on borrowing outside after they join the credit union. Interviews with members of two hospital credit unions in Dallas, Texas, establish these facts firmly.

A quick Gallup-style sampling of 5 percent of the members of these two groups showed up some interesting data. Originally, the two hospital groups were selected because it was thought there might be something significant found in a comparison between similar employee groups in two credit unions one of which was new and the other five years old. The differences, however, turned out to be less striking than the similarities. No doubt the same things would be found in most other credit unions, too.

The five-year-old credit union in this case is Baylor Employees of Dallas Credit Union, which was organized in mid-1957 and now has 870 members. The younger credit union is St. Paul Hospital Employees Credit Union, chartered last year and now listing a membership of 214. The Baylor group has loans outstanding of \$156,080, the St. Paul group just \$7,489.

Five percent of the members of each credit union were asked the same questions, and here are the answers they gave:

*Do you know what interest rate your credit union charges?* Correct answers, 15; incorrect or no, 42.

*Do you have a credit union loan now?* Yes, 38; no, 19.

*Do you know the unpaid balance of your credit union loan?* All having credit union loans answered this question correctly.

*How many credit union loans have you had during the past five years?* Eight said none; 40 had between 1 and 4 loans; 9 reported between 5 and 11. This was a hard question to answer, and the replies may not have much value.

*How many loans do you now have from other lenders?* Sixteen reported one loan; 1 said 2; 1 said 3; 39 said none. The chances are these are heavily understated.

*How many loans have you had from other sources during the last five years?* Thirty-two said from 1 to 4; 2 said from 6 to 24; 23 said none. Again, the total is probably far short of the fact.

*Do you know the interest rates charged by outside lenders from whom you have borrowed?* Eight were able to state the rates; the other 28 said no. Five reported old mortgage loans at 5 percent or less; 3 reported rates between 6 and 10 percent, one a mortgage loan; 1 reported interest charges of 16.5 percent; 3 reported between 17 and 20

Asked if they knew what interest rate their credit union charged, only 15 out of 57 could produce the right answer.

percent; 8 reported between 22 and 1,560 percent. In most cases, rates had to be computed for the members by the reporter from data supplied by them.

*Has anyone ever refused you a loan?* Five said yes: 1 credit union, 2 banks and 2 finance companies. How many preferred to conceal this information is hard to estimate.

*Has anyone ever required you to buy insurance as a condition of obtaining a loan?* Four said yes. As several Congressional investigations have shown, many borrowers sign for insurance without knowing it, so the answer is probably on the low side.

*Did you ever lose a job because of actions taken by your creditors?* All said no. Texas has no garnishment law; even so, there may well be some concealment in this answer.

*How often have you borrowed from outside lenders since joining the*





L. G. Evans, treasurer of the Baylor group, says the survey shows a need for more education.



James T. Campion, treasurer at St. Paul, points out that members are forgetful.

credit union? Forty-four said never, 13 said some.

*Are you now saving in the credit union?* Yes, 35; no, 22.

These answers could have been checked in various ways, and a survey that was scientific and expensive might have revealed how much understatement and concealment occurred. However, The Bridge survey was simply designed to bring up some impressions. A statistical breakdown of the figures would also show that members of the older credit union (Baylor) have more knowledge of credit union interest rates—but not much more. Baylor members also make fuller use of the credit union, but this must be also partly because the credit union had more funds available for lending.

Many of the members' remarks during the survey were of special interest. For example, here are some of the reasons why credit union members go on borrowing outside:

**A Spanish-speaking member** with an excellent work record needed \$19. Her application was turned down by the credit committee because she did not supply her husband's signature as required by Texas law.

To get the details, The Bridge interviewer asked the member's bi-lingual supervisor to serve as translator. Explains the interpreter: "She is separated from her husband. That's why she was unable to obtain his signa-

ture. But she wasn't able to explain this to the credit committee because she speaks very little English. When the committee rejected the application, she was forced to go to a loan shark because she had to have the \$19 to meet emergency needs. The loan shark charged her more than 380 percent interest."

**A 32-year-old father** needed \$4 to have his baby's prescription filled. "It was late in the evening and I needed the money immediately," he says. "That's why I saw the loan shark around the corner again."

This lender's maximum loan is \$4. He charges \$1 interest for two weeks. "I didn't know that this amounted to 650 percent annually," says the member. "But I knew that I was charged much more than I could afford. Before joining our credit union I had to use this pocket lender's services more than two dozen times. Now I borrow from the credit union during the day time. But whenever an emergency comes up at night, I just have no choice but to see the loan shark."

**A board member** found that the credit union did not have sufficient resources to make a loan for the amount he needed. "I am a strong believer in the credit union idea," he says. "But we have a backlog of loan requests. And I would not consider it fair if I pulled rank to get money which I can get elsewhere but

many of my fellow-members cannot."

**A cook** made several loans of \$100 and \$150 from a finance company "because I thought that I shouldn't go back to the credit union since I already owed it some money." He was charged some 20 percent interest and required to purchase life insurance for the amounts borrowed.

**A management employee** borrows from his bank through a \$600 "line-of-credit" checking account at  $\frac{7}{8}$  of 1 percent per month on the unpaid balance. "I have used this arrangement since 1956," says he. "It's convenient and inexpensive. And it's particularly handy on weekends and when I am out-of-town."

**A senior porter** has added from time to time to a \$400 appliance store loan which he took out five years ago. Today he still owes the appliance store some \$300. He also has a credit union loan with an unpaid balance of \$65. Comments this member: "I did not go to the credit union because I did not think that it would let me have the money to pay off my other debt. That's why I add to it from time to time."

**Another porter** borrowed \$200 from his bank for a car down payment "because the credit union was too young to make a large loan for \$200 when I needed it 3½ years ago."

**A married nurse** and her husband  
(Continued on page 24)



Governor Norman A. Erbe of Iowa helped the Iowa Credit Union League dedicate its new building last April. Here he is shown speaking to the meeting.

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The radio station in Alliance, Nebraska, carried an interview with credit union leaders on the day of the Nebraska League's annual meeting. Here the radio announcer is talking with Harold Wingstad and Wayne Bornemeier.



The city of Calgary, Alberta, has been divided into 21 natural neighborhood areas, and each has its own community credit union. This one is called the Tuxedo Credit Union, and it's doing well.

C. J. Burleson, veteran of the Arkansas credit union movement, was honored at the League meeting in April, when League president Hugh Hart (left) presented him with a plaque. Mr. Burleson is with the Little Rock postal group.



In the governor's mansion in West Virginia, a tea was held for the ladies during the League's annual meeting in April. Seated in the pouring position is Mrs. John Bickel, wife of the managing director. Standing at her left is John Helton, treasurer of CUNA.

Four people with some opinions on the functions of part-time treasurers are, left to right, Onis M. Nelson, past president of Guilford Dairy credit union, Greensboro, N.C.; Jack A. Delt, treasurer, N-P Employees credit union, Greenville, S.C.; Alfred L. McDaniel, treasurer, Y and T Specialties credit union, Salem, Va.; and Richard Gibson Jr., treasurer, Hampton Education Association credit union, Hampton, Va.



# COMPENSATING THE PART-TIME EMPLOYEE

*How much should the part-time treasurer be paid for his work? How much should the part-time clerical employee be paid? Standards of fair pay seem to be evolving in most credit unions.*

**M**ANY part-time treasurers spend a good deal more time at credit union work than their directors realize. For some, part-time has become full-time without recognition.

That's one of the findings of a recent Bridge study of pay schedules for part-time treasurers and other part-time credit union employees.

The other is that part-time treasurers are paid according to no recognizable theory, although boards generally are aware of the problem and hope someday to do something about it.

Eleven groups participated in this survey. They vary in members (207 to 3,597); assets (\$56,000 to \$1.3 million); years of service (7 to 26); number of part-time employees (1 to 11); and location (5 League areas). All have this in common: each wants to be fair and liberal in paying its part-time workers.

Other data gained from this survey show:

- Most credit unions pay their part-time treasurers a weekly, monthly or annual salary. Converted into hourly rates, the interviewed groups' pay schedules for part-time treasurers vary between \$1 and \$4.80 (for actual hours worked). The part-time treasurers' annual working hours vary between 180 (\$300) and 2,340 (\$3,600).

- Salaries of part-time treasurers are not directly related to the size of the credit union. (The lowest compensation—\$1 per hour—is paid by a



group with assets of \$216,000. But three substantially smaller groups, with assets between \$56,000 and \$141,000, are remunerating their treasurers at converted hourly rates varying from \$1.67 to \$2. Two groups with assets of \$214,000 and \$356,000 are compensating their treasurers at rates of \$2.50 and \$2.75, respectively. However, two credit unions with assets of some \$600,000 each, are compensating their treasurers at rates of \$1.50 and \$1.54. The top rate of \$4.80 per hour is paid by a group with \$1.3 million assets.)

#### Part-time rates

- Part-time employees, other than the treasurer, are usually compensated at a daily, weekly or monthly rate. Converted into hourly rates, the compensation of part-time typists and filing clerks varies from \$1.25 to \$1.60; for bookkeepers and posting clerks, from \$1.39 to \$1.60; for cashiers and bookkeeping machine operators, from \$1.62 to \$2.25; and for assistant treasurers and office managers, from \$1.36 to \$1.67. Most groups hire their temporary clerical workers by the day rather than by the hour. Temporary posting clerks, bookkeepers and tellers employed by the day (7½ to 8 hours), receive from \$15 to \$18.

Here are the surveyed groups' practices and ideas about part-time employee salaries:

**Balto. Vet. Adm. Employees Federal Credit Union** in Baltimore, Maryland (organized: 1950; mem-

bers: 207; assets: \$56,000; employees: 1 part-time), has paid its part-time treasurer a monthly salary of \$25 for the past four years. He spends some 180 hours annually at credit union duties.

"Our membership has always felt that our treasurer was not paid enough," says G. A. Davis, the group's president. "It has indicated this view many times when voting on the treasurer's salary at annual meetings. Our board of directors is responding to this demand by planning a study of the treasurer's salary to determine what an adequate compensation would be. The reason why our salary structure has not been higher, is that quite a few of our members are investing in the credit union because of our attractive dividend rate of 4 percent to 5.4 percent. But we feel that we would be taking unfair advantage of our treasurer if we would continue to pay him at his present low rate of \$1.67 per hour. And we believe that unless we make an adjustment soon, we may find it impossible to obtain the services of the type of treasurer which we want to have."

**Guilford Dairy Credit Union** in Greensboro, North Carolina (organized: 1938; members: 336; assets: \$216,000; employees: 1 part-time), has increased its part-time treasurer's annual salary from \$245 to 1955 to \$720 in 1961. His credit union responsibilities consume some 720 hours.

Onis M. Nelson, long-time board member and past president of Guil-

ford, believes that it is impossible to compensate part-time treasurers for their managerial ability, enthusiasm, interest and good will. "But," says he, "we can pay our treasurer a salary which is adequate, which shows our appreciation and which constitutes a real recognition of his value to the credit union. As yet we have not voted such a salary. This year we increased his monthly compensation from \$45 to \$60. And we intend to make further upward adjustments each year. Although our board has not voted its ultimate salary goal, I believe that we should soon begin to pay our part-time treasurer at least twice the amount which he now receives."

**Hampton Education Association Credit Union** in Hampton, Virginia (organized: 1954; members: 391; assets: \$141,000; employees: 2 part-time), began compensating its part-time treasurer in 1956 at the rate of \$25 per month. Today he spends approximately 48 hours monthly at his credit union duties and receives a salary of \$95. The monthly salary of the group's assistant treasurer is \$25 for some 15 hours' work.

Treasurer Richard H. Gibson, Jr., points out that his board of directors would prefer to pay twice the amount of the present compensation. Says he: "They offered to double our salaries. But we turned this offer down. Both the assistant treasurer and I believe that the salary of our credit union's part-time staff could at best be a token payment. And as a token we





More opinions on part-time employees come from (left to right) G. A. Davis, of the Baltimore Veterans Administration credit union; Mrs. Elizabeth Hamilton, Tri-City Telco credit union, Greensboro, N.C.; Thomas J. McKean and Donald F. Linch, Triple C credit union, Baltimore; Mrs. Elizabeth K. Jones, O.Q.M.G. credit union, Washington, D.C.; and Chester Carter, Guilford Dairy credit union, Greensboro, N.C.

consider our present compensation quite adequate."

But our board is giving some thought to hiring a part-time bookkeeper," adds Mrs. Laura W. Twyford, the group's president. "When we do this, we will pay this person a compensation fully in line with that of other bookkeepers in our area and, quite probably, a trifle above the pay schedule of commercial institutions."

**HEW Employees Federal Credit Union** in Washington, D.C. (organized: 1934; members: 3,597; assets: \$1.3 million; employees: 3 full-time, 11 part-time), remunerates its part-time loan officer and treasurer at annual salaries of \$300 (100 hours) and \$2,400 (500 hours), respectively. All other part-time employees (clerical, tellers and bookkeepers), except an after-hours stenographer, receive \$15 to \$16 for each full business day. The stenographer's compensation is \$2.50 per hour.

"Our board of directors believes that the part-time treasurer should be paid reasonably well for his responsibility and the work which he is doing for our credit union," comments HEW president Lane C. Ash. "That's our yardstick in arriving at his salary."

Treasurer William P. Mallard says that HEW's compensation policy for its other part-time employees is to pay attractive wages, "comparable to those which they would get at commercial institutions. We find that we benefit greatly from this policy. One

of our part-time employees has been with us for twelve years. All of our teller-bookkeepers are housewives. They come in on paydays, at other peak periods when the work load is unusually heavy, and during sickness and leave periods of our full-time staff. We try to give more work to those who want it. And we try to call in our part-time workers on a rotation schedule so that all of them keep in training and are fully up-to-date on our operational practices."

The HEW Credit Union periodically increases the compensation of its long-term part-time employees. Such increases are an additional incentive, Mallard reports. "They also help us to keep our trained part-time staff."

#### Further benefits

Additional benefits for part-time HEW workers include: \$1,000 of term life insurance for each \$1,000 or fraction earned during the preceding year by employees who have been with the credit union for a full year and have an attendance record of at least 80 percent. But this benefit does not apply to the loan officer and the stenographer.

This group's part-time treasurer also receives CUNA Retirement Savings Fund, Blue Shield and Blue Cross benefits.

**N-P Employees Federal Credit Union**, a newspaper group in Greenville, South Carolina (organized: 1940; members: 321; assets: \$123,-

000; employees: 2 part-time), last year paid its treasurer \$1,850 (1,092 hours) and its assistant treasurer \$850 (624 hours). The two employees' wages amounted to slightly more than 24 percent of the group's gross earnings for the year.

Jack Tedards, N-P's president, says his group would like to compensate its part-time staff at a rate comparable to that paid by other credit unions of similar size and type. "Since credit union work requires a high degree of responsibility, the compensation of part-time employees should be not only adequate but generous."

**O. Q. M. G. Federal Credit Union**, a Defense Department group in Washington, D. C. (organized: 1950; members: 3,337; assets: 1.3 million; employees: 4 full-time, 1 part-time), hires part-time employees for cashiering and typing. Typists receive \$10; cashiers from \$13 to \$18 per 8-hour day.

Mrs. Elizabeth K. Jones, the group's manager, believes that part-time employees should be well paid. "It's not a good idea to try to pay them as little as possible," she says. "By making a generous—though not excessive—compensation arrangement, we are able to get more experienced workers and keep our turnover down to an absolute minimum. We use our part-time employees for cashiering and typing whenever one of our regular employees are either ill or on vacation. We always quote them a daily rate





for eight hours' work."

**Revere Employees Credit Union** in Baltimore, Maryland (organized: 1935; members: 988; assets: \$356,000; employees: 1 full-time, 2 part-time), compensates its treasurer at the rate of \$55 per month (20 hours) and a posting clerk at the daily rate of \$15.15.

Charles E. Webb, Revere's president, stresses that the part-time treasurer's salary should be a *fair* compensation for the time spent in credit union work: "By 'fair', I mean that it should be more than just a token amount," he says. "I would like to see our treasurer receive a good deal more than he now gets. But even if our board should double this amount, we would still feel that we are getting the best of the bargain because it seems to be almost impossible to make a complete assessment of the treasurer's full value to our credit union."

Revere has employed a part-time posting clerk for more than six years. She comes in when needed. A present, this is one day each week. "But," says treasurer Edward L. Duke, "when our full-time employee is sick or on vacation, we use our part-time clerk as much as necessary. This may mean as many as forty hours for a few weeks each year. We have the policy never to ask our part-time employee to come in for less than a full day."

Continues treasurer Duke: "We feel that part-time employees should be

competent and experienced persons. They should receive salaries which are adequate and compare favorably with those of persons doing similar work elsewhere."

**Tri - Cities Newspapers Credit Union** in Newport News Virginia (organized: 1954; members: 654; assets: \$214,000; employees: 2 part-time) compensates its part-time treasurer at \$10 (4 hours) and its part-time office manager at \$50 (30 hours) per week.

"Our treasurer serves wholly because he believes in the credit union idea," says Marion C. Bowler, Tri-Cities' president. "His salary is merely a nominal form of recognition. But I believe that this applies only where the treasurer is fully employed elsewhere. His compensation would have to be both adequate and attractive if he were a retired person or otherwise not fully employed."

Adds treasurer D. W. Ashe: "I believe that a part-time office manager's compensation should compare favorably with salaries paid for similar work in the community."

**Tri-City Telco Credit Union** in Greensboro, North Carolina (organized: 1935; members: 966; assets: \$595,000; employees: 4 part-time), uses a part-time treasurer, typist-stenographer, posting clerk and book-keeping machine operator. The part-time treasurer's annual salary is \$3,600 (2,340 hours). The other part-time employees are compensated on

an hourly basis: typist-stenographer, \$1.60; posting clerk, \$1.60; and book-keeping machine operator, \$1.80.

This telephone workers' group has the policy to select its part-time staff from the telephone company's employees. With the exception of the treasurer—who receives a yearly salary — each part-time employee's credit union compensation is the same as that earned during company hours. "This policy," says veteran treasurer Elizabeth N. Hamilton, "means that we increase our part-time worker's salary in accordance with any pay raises which they may receive from our sponsor's company."

Henry B. Armistead, Tri-City Telco's president and a director of the North Carolina Credit Union League, believes that the first requirement for good credit union management is adequate compensation for the treasurer. Says he: "Our part-time treasurer's present salary is the result of our board's failure to realize how many hours she is spending at credit union work. Looking at the fact that our treasurer now spends more than forty-five hours weekly at credit union duties—in addition to a full-time job with the telephone company—it becomes quite clear that we must increase our present rate of compensation and give serious thought to the advisability of hiring either a full-time treasurer or a full-time manager who would be supervised by our part-

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# ENCYCLOPEDIAS, EASY PAYMENT PLAN

*The rates charged for financing a set  
of encyclopedias are usually low,  
but that raises some interesting questions*



**I**f you have made up your mind to buy an encyclopedia, and your next question is whether you should buy for cash or on installment credit, you may find it hard to work out an answer.

The reason for this is that it's hard to get a clear price comparison out of many typical encyclopedia salesmen. Such a salesman comes into your house with one or two sample volumes, the inevitable colored fold-out picture of the entire set, a series of charts and diagrams, and a well-planned and well-rehearsed sales talk.

He will give you his sales routine from beginning to end. If you try to interrupt, or try to get at the price of the set before he's ready to tell you, he will put you off. Unless he is a new or poorly-trained salesman, and unless you are an unusual kind of customer, he will have an answer to every objection, every interruption you can think of, and he is trained to handle practically any situation that comes up during his presentation.

Finally, you will come down to prices, and he will describe to you all the ways in which you may buy the encyclopedia and the many extras that come with it. If you persist, you will even learn the outright cash price of, say, Britannica, which is \$398, without any premiums or special offers of any kind. The credit charge for buying Britannica on installments is \$1 a month, regardless of the amount



The salesman doesn't encourage you to make comparisons before you buy, but you can do so at your leisure in most public libraries. It's a good idea, because you may save yourself \$200.

paid down or the number of payments.

On the basis of \$10 down and the balance in one year, Britannica's true annual interest rate is a little over  $5\frac{1}{2}$  percent. Buying the set \$10 down and \$10 a month results in a true annual interest rate of 6 percent. Either way, the interest rate is very low.

#### 5 percent is typical

In the case of World Book and Collier's Encyclopedia, a small cash discount is offered; or looking at it the other way, the company charges a small service charge on time payment accounts. The lowest-priced World Book edition is listed at \$139, but if cash is paid (60 days) the price is \$135. The company says it considers the \$4 a nominal service charge that does not even cover the cost of setting up an account. The average customer pays \$10 down and \$10 a month, and on this basis, figuring a balance after down payment of \$129, the annual interest rate is about 5 percent.

The lowest-price Colliers sells for \$255.50 cash, or \$260.50 including a \$5 service charge for time payments. Minimum down payment and monthly payment is \$10. Figuring \$10 down and a balance of \$250.50, the interest rate with \$10 monthly payments comes out to 1.3 percent.

The percentage of business done on time payments is large in the encyclo-

pedia industry. A World Book district representative says in his case it runs about 72 percent, initially, but that this figure actually is lower because many customers decide to pay off the entire amount within the 60-day cash discount period. He said among the "adult," higher-priced sets the percentage is much higher; perhaps more than 90 percent.

With Britannica, the buyer may now purchase the books in some stores, as well as in his home. The cash price is the same either way, but the credit price is different, since a set of Britannica bought from a store on time will be financed the same as a refrigerator or a bedroom suite, at whatever the store's time payment rates are. Department store credit rates usually range from 14 to 18 percent per year.

Time payment costs on all encyclopedias are very low, and the truth seems to be that in the encyclopedia business cash prices are deliberately set high, on the assumption that most sales will be on credit and there is no point setting up a differential that will encourage cash sales and discourage credit sales. If you want a real cash price quote on an encyclopedia, the way to get it is to find a set in a used book store. Contrary to what some salesmen say, it is fairly easy to locate any edition you want in large city bookstores, often in their original packages.

But there is also the question, which encyclopedia is the best one for you? Considering the difference of \$200 or more between different well-known and respected sets, how are you going to compare values? You can't take an encyclopedia out for a road test like a used car. You certainly can't make any comparisons while a high-pressure salesman is in your living room pleading with you to think of your children's welfare. How do you compare encyclopedias?

An encyclopedia is a major family investment, since it can cost \$400 or more. It is an important purchase for other reasons, too. It is the kind of purchase that should be made thoughtfully, after careful consideration of a number of factors that include who will use the books and what they are to be used for.

#### A paradox, a paradox

While any of the top half-dozen encyclopedias is an excellent product and a valuable addition to a home that will use it, many of them are sold by methods more suited to a carnival potato peeler or shoddy siding job. Evidently the publishers of even the oldest and most respected encyclopedias have decided the best way to sell their Olympian volumes is to peddle them by the highest of high-pressure methods. Sometimes these methods result in the customer winding up with a roomful of extras he

didn't realize he was getting—and a debt much larger than he expected.

If this is good business—and the sales figures show that it is—it doesn't make it easy for the consumer to select the best encyclopedia for his own family's needs. And if the prospective buyer wants to use the old tried and true methods of shopping and comparing, he is up against it. There are two things he can do:

If he lives in or near a sizeable city he can visit the public library. Most sizeable libraries will have several sets on encyclopedias, and they can be compared carefully and leisurely. If the library is small, the prospective buyer may not find the encyclopedia he is considering, but he may be able to compare two or three. It is also possible to compare encyclopedias in the homes of friends, though this may be a troublesome and awkward procedure.

The second way of shopping around is almost too terrible to contemplate. No one who has been descended upon at home by one encyclopedia salesman can feel happy about inviting two or three others. But it is a possibility.

It is not possible to compare encyclopedias in stores, because only one major encyclopedia is sold in stores. The Britannica has been sold in a limited number of department stores in major cities for the past few months. People who have access to these stores may examine Britannica there but can not compare it with major competitors.

Comparisons of prices are even harder to come by. Many people report that it is hard enough to find out the price of one encyclopedia—from the man who is selling it—without trying to learn the prices of competitive books. It isn't that the salesman won't name a price; in his own good time he will offer a veritable shower of prices, options and special offers. It is this maze of prices and deals, offered by many encyclopedia salesmen, that has confused so many consumers—and attracted the critical eye of the Federal Trade Commission.

It is possible, however, to learn the basic selling price of encyclopedias, or at least the approximate price. Prices change from time to time, and published price comparisons may be out of date at any given time. And it is theoretically possible, with persist-

*(Continued on page 21)*

## FROM THE MANAGING DIRECTOR:



### "MONEY WITH A HEART"

**THAT'S** the name of a good leaflet! If you haven't seen a copy, send for one to your League or CUNA. Here are true stories which illustrate the principles of credit union service—the kind of stories that will warm your heart.

Many credit unions are distributing it; it is a leaflet that should be in the hands of all of our credit union members—and all people who should be credit union members!

#### Volunteers Needed

Most existing credit unions have been organized by volunteers. Do you know of a common bond group that needs a credit union? Have you talked to some of the people of that group and got their interest? Then, the next step is to contact your own League and have some of the League representatives work with you in getting the credit union organized and into operation.

Have you checked the factories and businesses and industrial concerns near you to be sure that all of them with 100 or more employees have a credit union? There are still many such groups that do not have credit unions—but need them. Won't you help in getting one started in every such place near you?

How about the communities that are both large enough and still small enough (the original credit unions were "community" as are many now in the United States, Canada and throughout the world)? How about the church parishes—all denominations—near you? How about cooperatives, lodges, unions, etc.? Are some of them large enough to support good credit unions? Have you contacted

some of the leadership of those groups to obtain their interest?

Only 1 person out of 3 in Canada belongs to a credit union (that means that seven-eighths of the population do not belong). Only 1 person out of 17 in the United States belongs to a credit union (that means that sixteen-sevenths don't belong). These people need credit unions. It will be largely up to the volunteers to find the common bonds that can make credit union membership available to many more people.

#### Discussion Subjects

Has your credit union group had a good discussion on these subjects recently? When you plan such discussions be sure that you have leaders prepared to give the arguments on both sides. Here are a few subjects that have been called to my attention recently—all needing a great deal of thinking through:

- Should we have multiple interest rates?
- Should we pay dividends oftener than yearly?
- How much should be spent on member education—on promotion generally?
- What are the basic objectives of our credit union—let's put them in words.
- How can we get more of the loan business that our members are doing?
- How can we get more volunteer activity?
- What dividend rate should we strive for?
- Should we accept any subsidy at all from our company?
- How do we avoid clique or even one-man control?
- How can we extend more and better service to our members?
- How do we get the best qualified people on the boards and committees—and how do we get unproductive people off those groups?
- Where in our own communities are the best prospects for new credit unions? How can we get credit unions established there?

**H. Vance Austin**





John W. Johnson, head of the American Collectors Association, feels collection agencies have come of age in recent years.

# THE ETHICS OF THE COLLECTION AGENCIES

John W. Johnson, a mild-mannered young man who is executive secretary of the American Collectors Association, believes part of his job is convincing the public that collection agencies aren't the strong-arm, get-tough outfits they're often believed to be.

Johnson, who has headquarters in a modern building on Minneapolis' South Side, says the collection business has changed in the past fifteen years from a roughneck operation to a responsible business. Referring to the legitimate collection industry, Johnson says, "we emphasize that there are ways of collecting from people without browbeating them."

Understanding and cooperation with debtors are both humanitarian and good business, he believes.

A Bridge reporter interviewed Johnson recently, and asked him questions concerning the collection business generally and the collection agency's relationship with credit unions. Here are the questions and Johnson's answers:

**Q. What is the function and purpose of a collection agency?**

A. A professional collection agency's job is to recover delinquent accounts for business, the professions and lending agencies, after effective contact with the debtor has been lost. That is, when the creditor has tried all his own means of collection and failed.

**Q. How can a credit grantor tell whether an account should be turned over to a professional collection agency?**

A. The shortest answer I can give is when effective contact with the debtor is lost. When the debtor ignores letters and telephone calls, when he repeatedly breaks payment agreements, when he has left his job and  
(Continued on page 26)



When a credit union decides it needs the appraisal of a management consultant, it may find it can get a better, more understanding evaluation from its League than it could from a consulting firm which is only vaguely familiar with credit union goals and practices.

Here is an example. The credit union in this case had grown well for some years, but then bogged down. It was a good credit union, but something was wrong. The League managing director spent three days on the spot observing procedures, and then prepared this report.

Names have been withheld; however, there is enough meat in what follows to give most boards of directors something to think about.

Although there are six employed persons on the credit union's staff, there are no job specifications and no clear and distinct responsibilities given to any employee. Nor is there a clear definition of management.

The treasurer, who is nominally responsible for the management of the credit union, spends from one to two hours per week in consultation with the office manager.

There appear to be no employee benefits other than sick and annual leave patterned after that provided Federal employees.

There appears to be no employee relations committee, and the employment or discharge of employees is handled by a special committee re-appointed on each occasion when needed.

Although there is a salary schedule, fixed in 1956, and amended effective January 1, 1958, there is no apparent adherence to this schedule. The existing schedule does not appear to be adequate nor properly constructed to fill the need of a practical salary schedule.

Employee morale is not good. Much dissatisfaction stems from the fact that there is no planned pattern of responsibility, too many bosses, lack of job specification, and lack of employee benefits and salary schedule.

#### Office Management

Although it is recognized that a surplus of space does not exist, I feel that a much better use of available space could be accomplished. Some attention has been given to the convenience of employees at the expense of a complete lack of convenience for the members. A general clean-up of the office would present an appearance of more efficient operation and also lend the office to more convenience to staff and members.

The efficient use of space, such as storage under the counter, keeping essential records in a safe place (I found that addressograph plates are kept in the safe, but the credit union's charter, bond, and valuable documents were not kept in the safe) is paramount to good office management.

I found cash lying loosely in the

office without security of any kind. This may have been an oversight by someone or may be only an occasional circumstance; however, cash should never lie unattended in any part of the office but should rather be in a locked cash drawer, in the safe or under the protection of an individual responsible for such cash. Such loose handling of cash can easily result in a bond loss, in character defamation, in criminal accusation, and in other very unpleasant results, should such moneys disappear. Every possible safeguard should be exercised in handling credit union funds.

Personal financial problems and personal problems of members not directly connected with finances must be discussed by the loan counselor and other staff members in the presence of other staff members, board or committee members who might happen



to have business in the credit union, and even before other members of the credit union. I believe that we will all agree that this is a most undesirable situation and not conducive to good membership relations. A partitioned conference area with comfortable seating for the members should be arranged. This area could be occupied permanently by the loan counselor.

I am advised that female employees are permitted to go or return from a nearby building to the credit union office with substantial amounts of cash. Every precaution should be exercised to prevent harm to such employee while on credit union business. The loss of funds while in transport is also important, but bodily harm is something none of us would want to happen.

The machine accounting and general business of the credit union appear to be satisfactory.

#### **Supervisory Committee**

The activities of the supervisory committee appear to meet the requirements set forth in the Federal Credit Union Act and bylaws of your credit union. The continual audit seems to be effective and account verification good. The supervisory committee should not confine itself solely to record keeping procedures of the credit union, but should also concern itself with the existence of and adherence to sound procedures and policies. Weaknesses in internal controls, caused by lack of sound procedures or policies or by failure to observe them, make more extensive auditing necessary.

May I refer both the supervisory committee and the board of directors to Appendix A (Internal Control Check List for Federal Credit Unions) found in the Supervisory Committee Manual for Federal credit unions.

#### **Credit Committee**

I am informed that the credit committee meets twice each week, at which time all loan applications are considered. I had the privilege of meeting with the committee on Thursday, September 8th.

There is no doubt in my mind but that all members of the credit committee are devoted to the service of the credit union's membership. I preface my remarks in this way as I wish no one to believe that I take a hard or un-credit union like attitude

in the consideration of people's financial problems. I have been a credit committee member myself for many years, and believe that I understand and have a deep feeling for people's problems, and believe that the credit union can often help in problems which no other financial institution would touch. I also wish to state that the activity of the credit committee is most difficult, and they are the first to be criticized if all does not go well; their responsibility is truly the heart of the credit union.

There is a narrow line of demarcation between the conservative and the liberal in credit committee deliberations as well as in politics. It is the medium, the logical, and the sensible point which we strive to reach. In the credit union we are dealing principally with people, not with dollars. We must not let our feelings, however, overshadow good business practices for, after all, we do deal with money which represents the hard earned wages and savings of others.

My observation of loan applications approved, of loans in a delinquent status, of loans charged off, and of applications under consideration, indicated that in many cases, collateral was insufficient; that loans were approved for a new member with the same collateral requirement as for an established credit union member with a good past-paying record and with substantial government service.

The credit committee is not receiving sufficient information from the staff to enable it to judge the adequacy of collateral. In many cases, no chattel appraisal information is furnished. In the case of automobiles, the simple statement, "1960 Ford," appeared on the loan application of the member. The committee was expected to act on this information in judging the adequacy of the auto as collateral. There is a range of \$1,800 to over \$4,000 in the pricing of various models and equipped 1960 Fords.

The credit union is a member of the Retail Merchants Association, and as such, is entitled to credit checks on applicants where deemed advisable. There appears to be little use of this service.

The credit union requires liability insurance on cars on which the credit union is mortgagee. The credit union does not require collision coverage. This policy seems to have little or no reason, inasmuch as liability coverage affords no protection to the credit

union on the property mortgaged to it. On the other hand, collision coverage does extend such protection to the credit union, should the property suffer loss due to collision.

As heretofore stated, some privacy should be afforded to the credit committee, loan advisor, or others interviewing member applicants. Every effort should be made to preserve the confidence of the member in his private affairs. To do otherwise is certainly very bad membership relations.

#### **Educational Committee**

I can find no evidence that this important committee exists.

#### **Board of Directors**

The function of the board with respect to retaining direction and control over the affairs of the credit union is covered under Article VII, Section 5, of the bylaws.

The proper discharge of these duties is essential to the sound operation of the credit union, but the responsibilities of the elected director do not stop there. It is not enough for the board to decide policy required by law, the bylaws and the dictates of good business practices. The decision of the board on policy matters is only the first step in the management of the credit union. *To be effective, policy must be carried out.*

I find that your board of directors has not acted on the establishment of clearly defined, concise policies with few exceptions. A set of policies were acted upon by the Board, June 7, 1960. These covered general office and loans. Of those policies covering general office operation, several policies are ambiguous in their wording, and several are currently being ignored by those responsible for carrying out the policy. Of those policies covering loans, one is illegal, one simply reiterates the law, and one policy is ignored.

It appears that the board has not established any standing committees which, if established, could greatly enhance the effectiveness of each director and the board as a whole.

It is not likely that every member of a board of directors will be equally qualified to pass judgment on every question. This suggests the effectiveness of assigning specific activities to each director. These directors will then concentrate upon finding all the facts about their assigned activity and be able to present complete in-

formation to the board as a whole.

A few suggestions for committees are as follows:

1. Practices and procedures
2. Employee relations and benefits
3. Budget
4. Delinquent loans
5. Investments
6. Membership relations and education

There seems to be some misunderstanding as to the relationship of the board to other bodies of the credit union. The board of directors does have authority in connection with the activities of both credit and supervisory committee. Such authority is clearly defined in the bylaws as well as the Federal Credit Union Handbook (page 21, "Relationship of

Board to Other Bodies of the Credit Union").

I find that the credit committee has little or no guide from policy established by the board. Policies to guide the credit committee in their deliberation of loan approvals is clearly the responsibility of the board. (Paragraph 3, page 37, Federal Credit Union Handbook: "The Credit Committee.")

Delinquency control, for example, begins with lending policies and procedures. Very often a pattern can be established from delinquent loan experience. Such a pattern can result in board policy which can guide the credit committee, inasmuch as delinquent loans and their collection is not the responsibility of the credit com-

mittee. I wish to emphasize, of course, that the board should not attempt to, in any way, interfere with the sole authority of the committee in the approval of loans. The credit committee, however, is bound to act within the law, bylaws, and policies created by the board.

It appears that the board has frequently been influenced in its decisions by other interests and obligations. The board must regard the credit union independently of all other interests and obligations if it is to render proper guidance to the credit union, inasmuch as the credit union has complete and separate corporate stature from any other activity, business or function.

There is an apparent reluctance to delegate authority to employed staff members. This may be due to a lack of confidence, or for other reasons. May I observe, however, that there is specific provision in the credit union's bylaws for such delegation of duty in the office of treasurer, generally regarded as the principal financial officer of the credit union. (Article VIII, Sections 5 & 6, Federal Credit Union Bylaws.) A credit union of this size cannot be effectively managed by a part-time treasurer or manager. The job is simply too big, much too essential, and too important to the success of the credit union. I cannot emphasize too strongly my conviction that a full-time manager-ass't treasurer position is essential to the efficient operation of the credit union. Needless to say, the position must be filled by personnel in whom the board of directors has unqualified confidence.

I observe that board of directors meetings are lacking in a completeness of reported information. It is my conviction that a voluntary board, all having their own livelihood as their first responsibility, can be much more effective if given the opportunity to study and have the benefit of reports in writing. A detailed report of the manager or whoever is principal financial officer, should be presented in writing. This should include financial statement, statement of income and expense, delinquent account schedule, review of pertinent operating problems, and all matters relevant to the credit union's operation which should be brought to the attention of the board for action or information. The report should conclude with specific

## Signs of the times

EN schemes for gypping consumers were especially common last year, says the National Better Business Bureau. It will be just as well to watch out for them in 1961. These schemes included:

- Deceptive drug, device and cosmetic advertising. These ranged from cancer cures to worthless reducing pills.

- Questionable franchise deals. These enticing offers to go into profitable small business ventures were particularly attractive in the automatic laundry and soft ice cream lines.

- Mail-order sale of dubious gadgets and garden supplies. One promoter sold a color adapter for television sets for \$1.95, another company offered miracle bulbs that failed to produce flowers.

- Unsound earn-money-at-home schemes. Offers to sell you a machine to make something and buy back what you make, are often phony.

- High-pressure home improvement schemes. One variation is the traveling contractor who will not only put a new roof on your house but get you an additional loan to pay off your old bills as part of the deal; this is strictly illegal.

- Fictitious list and comparative prices in advertising. This has become so common in the last few years that most people are becoming skeptical.

- Bait ads. If you go to a store to buy an advertised bargain and they

tell you they're fresh out, that's the old bait technique. They will be glad to sell you something more expensive, of course.

- Unordered merchandise delivered by mail, especially in charitable promotions. It isn't exactly dishonest, but it's a nuisance.

- Telephone sale of doubtful securities. It's astonishing that some people would invest their savings in uranium stock sold to them over the telephone by somebody they don't know, but they do.

- Photography schemes. The special price for family portraits that are offered over the phone usually have nothing special about them. Sometimes the pictures aren't delivered.

But there are numerous other schemes for separating you from your money, as you will learn if you skim through the bulletins of Better Business Bureaus around the country.

*There is a fellow, going under the name of Carlos De La Garza, who has been operating a little racket among foreign students at universities. Recently the dean's office at the University of Kansas found him working there. He approached foreign students, especially the women students, and told them a dinner would be held in their honor at a hotel in Kansas City, sponsored by the Pan-American Union. He collected \$5.50 per ticket. No such dinner was scheduled.*

recommendations of the manager. Such recommendations should be considered under new business in the regular proceedings of board meetings.

Written reports of the committees are also desirable, so that directors can study such information on which future conclusions can be based.

#### Recommendations

I recommend that:

1. Job specifications and a realistic salary scale be drawn up by an employee relations committee for presentation to the board of directors for action, and that such committee also give consideration to benefits for employed personnel.

2. The board give serious consideration to creating the position of credit union manager-ass't-treasurer, and that the treasurer's duties and responsibility be delegated to such person filling this position.

3. Attention be given to providing improved facilities for the membership, such as increased space in front of the service counter, comfortable seating for waiting members, privacy for members being interviewed.

4. A general office clean-up be accomplished, and that more efficient use of available space be made. In this connection, several pieces of additional equipment might be necessary. Also in this connection, I suggest that either the present safe or a new safe be designed to retain essential and valuable items as covered in the report.

5. The board should not tolerate the loose handling of cash or documents representing assets of the credit union. Internal controls should be strict and adhered to.

6. Every precaution be taken to safeguard employees and funds transported by person from one place to another.

7. The credit committee be asked to give closer scrutiny to personal property offered as security on loans. That the credit committee be furnished with a complete listing and appraisal of property by the loan counselor or other staff member. That the credit committee be given as much information as possible on each applicant, and that the credit union's membership in the Retail Merchants' Association be utilized by the use of credit checks where either staff or loan counselor feel such information

would be useful to the credit committee.

8. The credit union's requirement of liability insurance on loans secured by automobiles be amended to substitute collision insurance on autos less than five years old.

9. A membership relations and educational committee be appointed without delay and that such committee review the credit union's membership relations and embark on a renewed educational program.

10. The board of directors appoint various committees, as needed, to give constant study and guidance to the board on such matters as fall within the purview of such committees.

11. The board of directors review existing policies and create such additional policies as deemed necessary to improve the operation, management and service rendered by the credit union. I further recommend that the board insist that policies be under constant study so that improvements can be made, and that the board insist that all policies be strictly adhered to.

12. The board require the manager, or principal financial officer, whatever title he may hold, to submit

written reports containing recommendations to each board meeting. It would be beneficial to the board as well if committee reports were also furnished in writing.

In closing, may I add that in my humble opinion the credit union is in sound financial condition, based on its recent financial and statistical reports. I have always been impressed with the true credit union philosophy shared by the elected officers, directors, and committee members of your credit union. I am certain that each of you reading my frank opinions in this report, will realize that my objective is simply to convey ways and means for improving your credit union and thereby bringing even greater credit union service to your membership and those who are not yet fortunate enough to be affiliated with your credit union.

I have not attempted to cover all the good things in your operation; I believe that you are all well aware of those functions which you feel are satisfactory. There are many plus factors in your history and the service which you render. Be proud of these achievements and strive for betterment.

## ENCYCLOPEDIAS

Several bulletins available in your library rate encyclopedias for accuracy and price

(Continued from 16)

ence, to buy a set of encyclopedias at the basic list price. Many people who try it will find they have a fight on their hands, because all major publishers have "package deals" of one kind or another, and their salesmen will fight to the last ditch to sell you, in addition to the basic set, a "junior" set, a bookcase, more expensive bindings, auxiliary volumes, Bibles, globes and a long list of other "premiums."

Encyclopedia companies claim that their merchandise may be bought direct from the firm, but it seems unlikely that a salesman won't get into the act some way or other. Since it is hard to avoid the salesman, it therefore is wise to be familiar with his product and his prices.

The best source of the basic price of a set of encyclopedias is the public library, where a copy of *Hart's Chart*, an independent evaluator, may be available, and copies of the much

more authoritative *Booklist and Subscription Books Bulletin* should be on hand.

The Hart sheet, published twice a year, is considered by librarians a guide and a help, but not necessarily a final authority. It lists about 35 encyclopedias, ranging from the most expensive sets to the books sold one each week in supermarkets. It lists "basic prices, to a family, for cash, in the cheapest binding, without premiums or other books," and it says these encyclopedias are available at these prices, though it does not suggest how to go about buying them.

It also briefly evaluates the sets as to accuracy and age levels for which the books are suitable, and approves what it considers the best sets with its "recommended" stamp.

The *Booklist*, published by the American Library Association, contains reports of continuing surveys of encyclopedias, as well as other publications, and goes into considerable



detail about the latest editions, including the amount of revision made since the previous printing and the quality of the binding, printing, paper and art work. No one seriously considering the purchase of an encyclopedia, and seriously concerned with getting the set most useful for his own family needs, should fail to read what the *Booklist* has to say about the books being considered.

For its survey, The Bridge has limited the encyclopedias to be considered to the five most commonly found in public libraries, because prospective customers will be able to compare these five most easily. There are, of course, many others, and limiting the survey to five does not mean that some of the others are not worthy of consideration. But The Bridge sees no way of conveniently comparing the others, short of entertaining troops of salesmen.

The five general reference encyclopedias usually found in libraries are Britannica, Americana, Collier's, World Book, and Compton's Pictured. The first three are generally considered adult books, and the last two are usually accepted as suitable for children through high school, though they are also considered good general reference works for all ages.

#### Bindings big price factors

The prices given are from the latest Hart Chart, issued this year. Prices from the *Booklist* are not used because some of its reports are two or three years old.

Right at the start, the Hart price for Britannica may be questioned, because it is \$20 lower than the price quoted by stores and Britannica officials. But these figures seem to be the best available.

Britannica—24 volumes, \$378. (Britannica itself, and other sources, give the price as \$398, the same price as it is sold for in stores.)

Americana—30 volumes, \$319.50.

Colliers—20 volumes, \$259.

World Book—20 volumes, \$135.

Compton's—15 volumes, \$119.50.

In all cases, more expensive bindings are available, and often these more expensive sets will be strongly promoted. Hart's Chart rates the accuracy of all these books "excellent" and gives them all its "recommended" rating.

In all cases, package deals are available and usually are strongly

## Quality Comparison

Here are brief comments from latest *Booklist* articles on all five encyclopedias mentioned in this article:

**Colliers** 1959 edition, report dated December, 1959—"A major reference work, giving indication of extensive revision . . . the encyclopedia makes accessible to the layman and student recent and authoritative material in readable style. It is recommended for high school, college, university, and public libraries, and for home use."

**Britannica**, 1956 edition, report dated February, 1957—"Britannica is basically a very good collection of informative articles and monographs written by qualified contributors. The amount of revision of important subjects accomplished since the 1950 printing is impressive. It is recommended for home use and for libraries."

**Americana**, 1958 edition, report dated June, 1959—"A valuable reference work . . . editors have made a conscientious effort to achieve their goal of a 'complete and comprehensive picture of the state of knowledge in our time.' An extensive amount of revision is evident . . . and the format is improved. Recommended for home use and for libraries, including junior and senior high school libraries. Recommended for junior high school libraries as a supplementary set for the use of superior students."

**Compton's**, 1958 edition, report dated April, 1959—"Designed for home, school, and library use by children and young people in middle and upper grades through high school, but adults will find it useful for helping children locate information and for their own information . . . shows extensive revision . . . on the whole, Compton's satisfactorily meets the informational needs of children and young people with accurate and comprehensive information presented in an interesting manner . . . it is recommended for home and school libraries, and public library use with children and young people through high school."

**World Book**, 1959 edition, report dated June, 1959—"The set is intended for upper elementary and junior and senior high school students. The style of writing is clear, concise, simple, and readable. Though especially designed for students, the set is also useful as a general adult encyclopedia . . . especially strong in biographical material . . . high quality illustrative material . . . characterized by comprehensive coverage, easy-to-use information that meets the interests and needs of upper elementary, junior and senior high school students . . . recommended as a children's and young people's encyclopedia for use in the home, in school and public libraries, and as a popular elementary encyclopedia for adults."

Regarding those encyclopedias sold one a week in supermarkets, at least one—Funk and Wagnalls Standard Reference—is considered a good buy for the money by some authorities. This set of 25 volumes costs a total of about \$25—\$1 a week after the first one is purchased at a lower cost. The Hart Chart rates its accuracy as "good."

The Bridge has chosen only favorable criticism in these excerpts from *Booklist* reviews, but it should be noted that in many cases these books are more or less sharply criticized for lack of revision, slowness in keeping up to date (always conceding that keeping an encyclopedia up to date is a monumental task), and other factors. The prospective buyer will do well to read these articles for himself. Most of all, he should examine the books themselves—not under the nervous eye of the salesman, but in the calm of a library.

urged on buyers. Britannica has a Junior Britannica set, selling for \$150, as well as several other premiums. If the purchaser will "cooperate" with the company by allowing the use of his name in advertising,

promising to write a letter to the company, and supplying a list of four or five names of possible prospective customers, Britannica Junior will be included at no additional cost. Note that if Britannica is purchased in a store,



without extras of any kind, it will cost \$398. If purchased in the home, by a customer who "cooperates," Britannica and Britannica Junior may be had at the same total price of \$398.

Confronted with the purchase of an item that costs a considerable amount of money, a purchase in which there is not much advantage in paying cash over making time payments, thoughtful buyers may turn to the used encyclopedia market.

Used encyclopedias are available at some bookstores, and at considerable savings over new sets. A Chicago bookstore operator in quoting some of his prices, underlines the fact that these are *his* prices, and that they may not be similar to a store in another area, or even "right down the street." There is no "usual" price, and there are no "going rates," he says.

Here are the prices he quoted on used recent or current editions then in stock: Britannica, 1959 and 1960 printings, \$239.50 and \$269.50. Americana, 1959, \$149.50 and \$199.50. Compton's, 1956, \$65. Collier's, 1959 and 1960, \$119.50 and \$149. World Book, 1959 and 1960, around \$100. If you do not require a current or recent edition, sets are available at much lower prices, of course.

#### Used sets are available

This bookstore operator said the 1959-1960 sets usually cannot be told from new. "They *are* new, to all intents and purposes," he said. "Many of the volumes have never been unwrapped." All his prices are cash only; he has no time payment plans. He said his store has no trouble getting all the recent-edition encyclopedias it needs. Asked if this easy availability of encyclopedias for his stock might mean many people buy these books without really wanting them, or knowing what they're buying, he said, "It could be."

How important is it to have the latest edition? It depends on what the books are to be used for. If they are for children in the family, who will use them as much for background on current events as for anything else, the newer the better. If they will be used for general study—less for the latest development on rocketry, for instance, than for general philosophical inquiry—then their publication date is less important. In fact some scholars prefer Britannica's 11th edi-

tion, dated 1910-11, over any later printing because they feel this was the basic scholarly edition, before the encyclopedia was "popularized" for wider and more general use.

It should be remembered that there is no such thing as buying an encyclopedia that will remain current for long. Encyclopedias are being revised continually, and those sections dealing with ever-changing phases of life will be out of date practically as fast as the books are printed. Yearbooks are sold in connection with encyclopedias, and they attempt in single additional volumes to keep the set up to date. But many encyclopedia men believe the average set is good for only 10 years in the face of rapidly-changing world conditions.

Many people have been sold sets of "adult" encyclopedias that have gone out of date by the time their children were old enough to use them, even though the books were bought primarily for the children's use. Buying a set of one of the major "adult" sets for use of children, when the children are little more than babies, may not be a wise investment—even if the "junior" books are purchased too. The buyer should realize that he is paying mostly for the "senior" set, and that this is where most of the research and scholarship has gone. In no case are the junior supplementary books rated as highly as their big brothers.

In many cases the "school level" encyclopedias will be the family's best all-around choice. The two major ones generally are highly regarded by librarians and educators for children's use, and also are considered adequate for general reference use by adults.

#### Pick a topic you know

It might be helpful for the prospective buyer comparing encyclopedias in a public library to make a list of subjects for comparison. The list might include space travel, pets, gardening, chemistry, airplanes, health, mathematics, painting, stamps—any subjects of particular interest. The list can be long or short, but should reflect the would-be buyer's own interests, or those of his family. With four or five encyclopedias on hand, comparison by subject may indicate which set is most useful.

Comparison can be made too on the basis of art work, quality of maps, general layout, readability, attractive-

ness. It is as true of an encyclopedia as it is of any other publication that it must be *read* and *used* if it is to serve its purpose. The buyer should decide what he wants in an encyclopedia. Depth and detail? One set may serve his needs better than the others. General information, more informally presented? Another set might fill the bill more adequately. The buyer who doesn't know what he wants should take a little time to find out, at his library.

No salesman in your home feels it is his job to have you compare encyclopedias; it is his job to sell you his product. Each set has advantages over others, and individual salesmen understandably are interested in showing the advantages of their product only.

#### Don't like price comparisons

Publishers of the higher-priced sets are least anxious for cost comparisons. "It is against our policy," a Britannica sales executive in the Chicago headquarters told a Bridge reporter, "to give you any information leading toward a comparison between Britannica and other encyclopedias on the basis of price." The major reason for this, he said, is that Britannica is the highest-priced set; the company fears that if people compare prices, they will tend to eliminate Britannica without considering quality. He also implied several times during the interview that an article comparing encyclopedias on a price basis, without going into Britannica's "well-known and accepted superiority," would be risky from a legal point of view.

It is no idle opinion that some encyclopedia companies use questionable sales methods. Not only thousands of homeowners know it, Federal Trade Commission knows it too. Three of the top encyclopedias, rated as "comprehensive, adult" in the industry, have been the target of FTC action: Encyclopaedia Britannica, Encyclopedia Americana, and Collier's Encyclopedia. These are considered the major general encyclopedias, and are the three most likely to be found on library shelves.

All three have been rated in *Hart's Chart* as having "excellent" accuracy, and are listed as "recommended." In other words, they are considered top encyclopedias as far as content and quality go, but their sales methods have brought them to the attention of

a federal regulatory agency.

It is only fair to say that not all encyclopedia salesmen use sales methods that earn them censure from the government. World Book salesmen, for example, will tell the customer that there are only three prices for their sets: \$139, \$159, and \$179, according to binding. Bookcases and stands are plainly priced at \$12 and \$5. However, World Book does have a "junior-junior" set of books called Childcraft, sold in combination with the senior volumes, and a company sales executive concedes that salesmen will try pretty hard to sell Childcraft and the more expensive bindings.

"To be honest with you," he said, "the salesman will try to sell the red (\$159) or white (\$179) bindings. The salesman makes a little more commission on these. He'll also try to sell the family Childcraft, if there are children of the proper age (1 through 9)." Another World Book representative agreed that chances are that there will be children of the proper age in the families contacted, because those are the families picked for visits.

Why is it often so hard to learn the actual selling price of an encyclopedia? A businessman, who was planning an office library, told The Bridge recently that he settled on Britannica as the best encyclopedia for his purpose but ran into price trouble immediately. "I was unable to get a price," he says. Encyclopedias are sold to libraries at special prices, and he asked whether he was entitled to the library price, but he couldn't get an answer.

Also, he wanted a straight price on the main set and no extras. "They still want me to take Britannica Junior," he says. "What earthly use is there in an office library for Britannica Junior?" Further, he says, the salesman kept irritating him by saying that the price he was quoting was

for "right now, today," but not for next week or next month. The businessman explained that he wanted a price that he could put into a budget, but the salesman wouldn't give it to him.

No doubt the main reason why things are so confused is that there are 80,000 house-to-house salesmen selling encyclopedias in this country on commissions, and they are mostly using whatever dodges they can think of to maximize their commissions. Encyclopedia salesmen reportedly earn \$30 to \$70 a sale, and some of them make very good money indeed. One has the reputation of having made \$1,000 a week. *The Wall Street Journal* in February reported that good salesmen in this field often earn \$10,000 to \$15,000, and top men may be promoted to \$50,000 a year supervisory jobs. A few who work their way to the top make \$100,000 a year as division managers.

Executives in the industry, according to *The Wall Street Journal*, estimate total sales at \$300,000,000 for 1960, compared with \$125,000,000 in 1951. It's hard to argue with this kind of success, but it's clear that the industry is now big enough to give a little more thought to ethics.

Summing up: Compare encyclopedias before buying. The best place to do this is in the library.

Don't buy a set for your children before they're ready for it.

If you're going to buy a new set from a salesman, do what you can to get the lowest price and avoid buying extras you don't want.

Buying from a salesman, there's not much difference between a cash price and a credit price. If you want to save money, buy a recent edition at a used book store; and finance it, if you wish, with a credit union loan. You'll come out way ahead.

a \$424 loan from a furniture company "because I had not thought about the difference in charges and the important saving which I could make by paying cash with a credit union loan." He paid carrying charges in excess of 20 percent and was required to purchase fire and theft insurance.

A professional employee went to her bank for a \$750 car loan "because I didn't think about the credit union at that time."

Of these members, 33 are women and 24 are men. A majority are married—37; and 14 are single, 2 divorced, 2 separated and 2 widowed. They divide almost evenly between professional and manual workers—29 and 23.

Their age levels run higher than the usual industrial group. One is over 70, 20 are between 46 and 60, 17 are between 36 and 45, 12 are between 26 and 35, and 7 are 25 or under.

Most of them have fairly long records of employment at their present jobs. Thirty-three have been at their present work from 4 to 12 years, 10 from 3 to 4 years, 5 from 2 to 3 years, 2 from 1 to 2 years, and 7 less than a year.

The treasurers of the two credit unions have found the results of the survey enlightening.

"In the past we assumed that our members knew what our interest rate was," says treasurer Evans of Baylor. "But the fact is that more than 70 percent of the members interviewed by The Bridge were wholly or partly uninformed about our interest rate. This statistic quite obviously points out the need for broader and more intensive member education. We cannot expect anyone to appreciate the benefits of credit union membership if he is unable to compare the cost of a credit union loan with one from a commercial lender."

Adds treasurer Campion of St. Paul: "Our second lesson is the recognition of the need to find new ways to keep the credit union's image before the membership. We formerly assumed that every member would think of the credit union in times of financial need. This theory has now been thoroughly punctured. We have found out that members make use of commercial lending firms out of sheer forgetfulness—unless they are constantly reminded of the credit union's readiness to help."

## THEY DON'T KNOW

Even difficulty with the English language may make it hard for the loyal member

(Continued from page 8)  
band obtained a \$3,000 bank loan for car purchases. "My husband does his business through a bank," she explained. "He felt that he should use the bank for both business and personal financing."

A middle-aged orderly needed \$250 to pay his mother's medical ex-

penses. He went to a finance company because "the credit union was unable to lend me additional funds on my signature." This member was required to purchase life, health and accident insurance as a condition for obtaining the loan.

Another cook purchased a refrigerator and washing machine with

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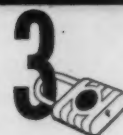
## **AUTO INSURANCE**

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The Group Accident Policy is designed to protect volunteer directors and committeemen while they are performing official duties for the credit union.



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General Liability Insurance provides protection against certain accident situations for which your credit union might be held liable.



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Workmen's Compensation Insurance enables your credit union to comply with the law in meeting claims made by employees for injuries received on the job.



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insures against direct loss resulting from inability to collect money from borrowers if it is caused by destruction of or damage to the records of accounts receivable.



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## COLLECTION AGENCIES

Collection agencies differ from attorneys in methods and in the size of average account

(Continued from page 17)  
can't be located, and so forth.

The American Collectors Association (ACA) has made available to credit grantors a Creditor's Collection Guide. It lists a number of danger signs creditors should watch for. When these conditions exist, we believe it's time to call in a professional collector. Here are some of the "whens":

- When payment terms fail for no valid reason.
- When the debtor stops paying and makes repetitious and unfounded complaints about the goods or services involved. He may complain about the quality of some dental work, for example, when the work is perfectly all right. He may complain about service on his car when the service and the care are fine. It's a method of stalling through complaint.
- When delinquency coexists with serious marital difficulties.
- When obvious financial irresponsibility is exposed.
- When a debtor moves and leaves no new address.
- When a delinquent debtor fails to sustain communication with his creditor.

**Q. Suppose a collection agency is called in to collect in a case where these conditions exist, and the creditor has tried all his own means of collecting. Is this where the collection agency gets rough?**

A. No. There is a fringe element in this business that still believes in tough methods, but most ACA members believe the best way to collect these accounts is by learning the reasons for the delinquency and helping the debtor make good on his debt. We have found this is both humanitarian and good business—in whichever order you choose.

**Q. What are some of the ways you help the debtor to pay?**

A. Well, we talk to him, find out

why he isn't meeting his obligations, perhaps set up a new payment schedule. Some of our collectors have found jobs for debtors. We've even had cases where a collector has arranged for psychiatric help for a debtor.

Now I'm not trying to say that the business of the collector is finding people jobs and psychiatric help. But these things happen all the time. Our association conducts classes for collectors, in which we emphasize that there are better ways to collect from people than by browbeating them.

**Q. How many members are there in your organization? How old is the association?**

A. The ACA has 2,300 members, most of them in The United States and Canada, and provides on-the-spot service in 9,000 locations. The association is 21 years old, and has had a full-time executive secretary for the past twelve years. We also have members in Hong Kong, Manila, Auckland, Stockholm, Tokyo, London and other foreign cities. The need for these agencies is following the development of consumer credit, which has been very slow in other countries up to now. In most other parts of the world credit until recently has been on a business-to-business basis. As you know, consumer credit is growing now in many areas of the world.

**Q. What relationship has there been between members of your association and credit unions?**

A. Well, our relationship is the same as with doctors, stores, businesses and other creditors. However, I do feel credit unions are unique in that they don't have the collection problems other lenders do. Credit union members borrow from themselves instead of from a third party, and there is no question that the idea of borrowing from your friends is a good deterrent to delinquency. And of course many credit unions that have payroll deductions don't have

collections problems. But credit unions have their own collection and credit-granting problems.

**Q. As you see it, what are some of these problems?**

A. In the credit union you may have the problem of committee member turnover while the need for credit remains constant. With new credit committee members every so often, it may be a problem to maintain a steady credit policy.

Also, I believe the credit union needs more and better counseling at the time of the loan application. I think the credit committee either should give this counsel or refer the applicant to someone who will. I feel very strongly that it's extremely important to get full and complete answers to questions on loan applications. This is where personal contact is most needed. You should be able to ask a man, "Listen, aren't you a little overextended already? Are you behind on any of these other accounts? Are you sure you're going to be able to make payments on another loan on top of the others?" You can't ask these questions if you don't get the information from the loan applications.

**Q. You feel this is a fault of credit unions in particular?**

A. Some of them, yes, and I think it's a major source of trouble. I think three-quarters of all bad debts can be prevented right there—with a fully filled-out loan application and some personal contact. As we say, "A loan properly granted is 90 percent collected." Of course, there's always the unpredictable. There's always the percentage of trouble that can't be foreseen. That's part of the credit granting business.

**Q. It is true that your association conducts courses for creditors?**

A. Yes, we offer courses ranging in length from an hour to four days. We have given them for associations of office managers, sporting goods dealers, farm equipment dealers, hospital accountants, and many other businesses and services. I take three-fourths of these assignments myself; the others are handled by members of our speakers' bureau.

**Q. What do these courses include?**



A. They cover such subjects as the importance of credit in the economy, the consumer's role in the credit picture, competition for the consumer's dollar, credit applications, preparation of simple but thorough application forms, billing and collection time schedules, collection procedures including the wording and timing of letters, telephone collections, skip-tracing, personal collection interviewing, and recognizing the need for hiring a collection agency. Also, we discuss our "red flag" system.

**Q. What is this "red flag" system?**

A. It's a way to predict collection headaches in advance. A creditor goes through all his bad debts systematically to study them and find out why payments haven't been made. Often patterns show up. It may be learned that a certain percentage of delinquent debtors have held a job for only six months, or that they have moved several times in recent months. There may be other patterns. Then he marks all loan applications that fit these patterns with a "red flag." This doesn't mean the applicant won't get his loan, but it does mean the creditor will take an extra hard look at his application.

**Q. What are the differences between having a collection agency collect accounts and having an attorney do it?**

A. For one thing, lawyers sue much more often than we do. One collection attorney told me as many as 75 percent of his cases involve suits. By contrast, last year of all cases referred to collection agencies, only 3½ percent required legal action.

When a lawyer goes to court it may mean wage attachments and garnishments. This means court costs, and it often means bothering a man's employer. Some employers don't like it, and the employee is fired.

Most lawyers don't like the collection business; they feel they're attorneys, not collectors, and that they aren't set up to trace people, follow up leads, and go through all the usual collection steps. Then there's the fact that in 1960 the size of the average claim against a debtor was \$51.88. The average payment made after the debtor was contacted by a collector was \$16.17, which means several

bookkeeping entries had to be made, probably several conferences with the debtor were held, and considerable clerical work was involved. Most lawyers aren't interested in claims of this size, and unless they're collection lawyers, they aren't set up to handle all these details.

**Q. How do you go about selecting a good, ethical collection agency?**

A. The creditor owes it to himself to make his choice carefully, because the collector handles the creditor's money and thus acts in a fiduciary capacity. He should be fully capable of discharging that obligation. Second, the collector's business conduct, and perhaps his personal conduct, will reflect, for better or worse, the creditor's own policies.

Here are what I consider necessary qualifications and credentials: The good collector usually is a member of an association of bonded collectors. He has a good reputation among local merchants, doctors, and other credit grantors. He has complied with state statutory requirements as to bond or license, or both. In states not requiring bond, the ACA member is covered by the association's national bonding requirements.

His rates and fees, customarily on a contingent basis—no collection, no charge—are clearly stated. Since the entire creditor-collector relationship is based on mutual confidence, written contracts seldom are necessary. He must be able to "forward," that is to place accounts with other collectors against debtors in distant places. He will account to the creditor on a specified date each month for all money collected. His guarantees will not include guaranteed results by specific dates, because this is misleading. He is equipped to follow all accounts for as long as necessary. He will have modern facilities for "skip tracing." He will promptly notify the creditor when he finds a debtor is a hardship case, and will recommend proper procedures in such a case. He will exhaust all reasonable means of getting a voluntary settlement before recommending legal action. He usually will have the good will and cooperation of local attorneys, the Better Business Bureau, and the Chamber of Commerce.

We advise creditors to deal with a local, well-established collection agency, not with traveling, out-of-

town collectors whose reputation and methods are unknown. Always remember that practically no legitimate collection agencies use written contracts—it's a peculiarity of the business. So if a creditor is asked by a collector to sign a contract, we advise him to read it carefully and show it to his lawyer.

**Q. You have given a long list of what a collector should be. How about the creditor? Are there ways a creditor should cooperate with the collector he hires?**

A. Yes. First, since more and better information usually means more and better collections, the creditor should list his collection agency accounts on listing forms, which are furnished free to ACA members. The information sought on these forms, at the minimum, includes correct name and last address of debtor; name of spouse, if known; whether mail is being returned; debtor's occupation, or at least his last known occupation; names of relatives, friends and trade references; a summary of the facts in any disputes; and the date of the last transaction, whether it was a charge, cash credit, or adjustment.

The creditor must rely on the collector's experience, diligence, and judgement. He promptly refers any development on assigned accounts to the collector. Since the collector's services are personal in nature, the creditor makes sure the collector is well-informed about the nature of the goods or services involved, so he can handle the complex situations that normally arise in collection activity. The collector should be given a fair understanding of the creditor's accounting needs, so the collector can keep his books balanced with the creditor's.

The better the collector knows the creditor's requirements and the more he is acquainted with his field, the better he can serve him.

**Q. From your experience, what would you say are the reasons people don't pay their debts?**

A. The growth of our credit-based economy has not been matched by a parallel growth in credit-use education. Many buyers don't know how much installment debt they can afford to carry, and overbuy themselves into

financial trouble. The number one reason for nonpayment of debts is overbuying.

The second most important reason is unemployment. Sometimes this order is reversed; depending on current economic conditions, unemployment may be number one and overbuying number two. Then account-

ing for smaller percentages of bad debts are such things as illness, loss of overtime, strikes, marital troubles, disasters such as uninsured fires, death, and intentional avoidance of repayment. The last category accounts for only 3 percent of the accounts referred to collectors—really quite a small figure.

### **Q. How do you feel about the relationship between money problems and divorce?**

A. The question of how many people who are in financial trouble are also having marital difficulty is not an easy one to tabulate. No statistics are available that I know of, but marriage counselors all agree that one of the chief causes of marital trouble, especially among young people, is some kind of financial trouble. This doesn't necessarily mean lack of income, because as many rich people get divorces as anyone else. It means disagreements over management of family income. A wife may complain her husband doesn't earn enough to provide for the family adequately; a husband may complain that his wife is extravagant or is a poor manager—and actually there's enough money there if it's well handled.

Couples whose trouble primarily is financial rarely go to a marriage counselor for help; they go right to the bank or loan company. Bank counselors notice that people who come to them for financial help also have some underlying trouble that prevents them from working out their problems together.

### **Q. What is the collector's view of bankruptcy?**

A. We hate it. Some of the reasons are obvious, of course, from a collector's point of view. In addition, though, I believe bankruptcy has a bad psychological effect on the debtor and on credit in general. The danger is that a debtor who has gone through bankruptcy and "got away with it" will figure he can always fall back on it again.

I think it's good education for a man to work himself out of financial difficulties. He learns a lot about the financial facts of life and about money managing. If he goes bankrupt, he may learn nothing but the idea that it's an easy way out.

**Q. If a credit union hires a collector, is it liable for the actions of the collector? For instance, if the debtor charges humiliation or asks damages of some kind. Can he sue the credit union as well as the collector?**

A. I really don't know. In the six years I have been in this job I can't think of one case like this. I can't say no, but I don't know.

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## PART-TIME PAY

Pay and hours worked should be reviewed regularly to insure fairness

(Continued from page 13)  
time treasurer."

**Triple C 16 Federal Credit Union** in Baltimore, Maryland (organized: 1954; members: 958; assets: \$617,000; employees: 1 full-time, 3 part-time), pays its part-time treasurer \$1,500 annually (20 hours per week), its part-time assistant treasurer \$1,440 annually (20 hours per week) and its half-time general clerk at the daily rate of \$14. The general clerk also receives hospitalization coverage and a one-week vacation.

"The better you pay an employee, the better he works for you," comments Donald F. Linch, Triple C's president since organization. "Part-time employees are just as exposed to temptations as full-time workers. That's why they should be paid not only adequately as far as the board's ideas go, but the employees themselves should feel satisfied with their compensation and consider themselves satisfactorily rewarded for their interest and efforts."

**Y & T Specialties Federal Credit**

**Union** in Salem, Virginia (organized: 1950; members: 547; assets: \$97,000; employees: 1 part-time), compensates its part-time bookkeeper with a monthly salary of \$150 (25 hours per week).

Alfred L. McDaniel, Y. & T. treasurer since 1957, underscores the board's responsibility to review the salary of its part-time workers. "Our directors feel that as soon as a credit union is able to pay the salary of a part-time employee, it should not hesitate to assume this responsibility," he reports. "Employee salaries should be in keeping with the credit union's income and should also be related to persons doing similar work in the area. We feel that there are two reasons why the board should periodically review the salary arrangements for its part-time employees: to find out whether present salaries are still adequate, and to determine whether the time has arrived when it is necessary to engage the services of someone who can give his full time to the credit union."

profit? Is this really immoral? If it is, then our religious traditions have been wrong since the beginning of time. If financial institutions say this is unfair competition, they are saying something very strange. We have nothing to apologize for, and I think we should keep that in mind. When people attack you and criticize you, sometimes you begin to wonder whether they are right or you are right; but let us remember this—what they are attacking, really, is our right to give voluntary service to our fellow men. Our tax exemption and our arrangements with employers are based on respect for the principle of voluntary service, and as long as we ourselves preserve this principle, we have nothing to apologize for.

### Voluntary service

Everything we are doing in our Leagues and in our Credit Union National Association is done to preserve and promote the principle of voluntary service, which gets its final and effective expression in the day-to-day contact with credit union members. In that light, let me review some of the things that we have done during the past year.

We have set up a family financial counseling program, in order to improve our methods of advising and informing credit union members on questions of money management. This is one of the most important needs of members today, and there is great interest in it throughout the movement.

### Stabilization

We have set up many league stabilization programs and now we have set up a central stabilization program, in order to protect the share accounts of members whose credit unions are liquidating. There is, as we all have observed, great enthusiasm for this.

We have set up a league management consulting service, in order to help leagues with the difficult service problems of keeping up with credit union growth. This is something you asked for from the floor here last year, and the program has now begun.

We have launched a magazine for credit union members, which again helps to fill the need for better meth-

## STONE'S MESSAGE

His parting words before turning over the gavel

(Continued from page 6)

these charges that we are a threat to the banking system of the United States? What about the charge that we are favored unfairly by subsidies from employers and tax exemptions from government? What about the statement that credit unions are all right as long as they are small and few, but bad as soon as they become big and numerous? What about the false statements: the statements that community credit unions are something new and bad, that credit unions are commonly making loans of \$50,000 or more, that credit unions are inefficient?

We know the answers to these statements, but I think we should stop a minute and remind ourselves that they are all based on an evaluation of credit unions as if credit unions

were just a kind of business. Credit unions are *not* just a kind of business. The volunteer character of credit union service is completely overlooked in such statements.

Volunteer service is *not* unfair, whatever they say. There is nothing wrong in helping another human being without thought of a financial return. There is nothing wrong with placing human needs above the dollar. If there is anything we are proud of, it is the stories we all know of credit union officers who have risen from their beds at night to help some member through an emergency, of credit committees or boards of directors who have found ways to help members nobody else would help. Are we really supposed to be ashamed of the fact that we did not do this for



ods of advising and informing members on questions of money management. There are indications that this will be widely used.

We have started a program, which we call the financial information program, to provide leagues with material for use in combatting attacks on credit unions, both in public relations and in legislation. This material is being distributed in large quantities, and should help in the present competitive situation.

We have made definite progress in legislation—federal, state and provincial. This has been an especially active area in the past few years and promises to be active in the next few years, with both friendly and hostile legislation to be watched and influenced. The amendments we succeeded in obtaining to the federal act have made possible improved procedure in federal credit unions, and it has given me great satisfaction to participate in this work.

We have added to our world extension program a field man in the Philippines; we have added a low-income specialist to our organization department; and we have expanded our loss prevention program. All of these will enhance services that are highly valued by all of us.

This week we began considering a proposed program for large credit unions, which would include a great range of educational and research activities, and I trust that this will be adopted and prove its merit before long.

In listing these accomplishments, I would be remiss if I did not add a special word of appreciation for the staff. The staff that is responsible for all this work is a dedicated and competent group of men and women, to whom I want to pay my respects and express my gratitude. It has been a pleasure to work with them, and I know that the next president and executive committee will find them patient, cooperative and resourceful.

Now, what about the future?

One development I am glad to report is the fact that apparently we may now feel reasonably confident that antitrust action against the CUNA Mutual underwriting rule is not likely to be a problem. This makes it possible for CUNA Mutual and the

leagues to continue the close relationship that has been so beneficial to both. It removes a fear that seemed to be threatening our harmony.

One of the program developments that I hope to see in the future is a great growth of regional and district activities. You instructed the planning committee last year to consider the problem of the size of the national board. They have done so, and among their proposals is one for improved district meetings. I heartily concur in this, and I also believe that many services can be improved if they are set up on a district or regional basis, under joint league and CUNA sponsorship. For example, I believe it may now be time to decentralize the CUNA summer school, while retaining a graduate school program in Madison.

Last year you instructed us to set up a pension plan for the employees of CUNA and other credit union groups that might wish to participate. This has been done. Now it seems to me that it is time for the salary question to be studied more carefully, and I would suggest that a salary committee should be set up for this purpose.

Recently, also, we prepared a proposal for a national central credit union fund, to facilitate borrowing by credit unions, and this was presented to the legislative conference in Washington last February for discussion.

In a word, we have developed or are developing programs to deal with most of the problems that now face us, and it seems to me that the next executive committee will be well fortified to meet the needs of credit unions and leagues in the vital areas of education, technical progress, organization, public relations and legislation. There will be difficulties. There will be opportunities. There will be challenges, but I am confident that we can find strong leadership.

In closing, I want to say again that basic credit union philosophy does not change. Times change, methods change, conditions change, but people can always pool their resources and help each other; and as long as they have any moral convictions, they will do so. It has been an honor to serve you as president, and I thank you.

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## IN THE NEWS

(Continued on page 5)

new international constitution, in which national groups would have more autonomy, was warmly debated and passed. The effect would be to give United States credit unions a national federation of their own, apart from the present association in which credit unions from overseas participate in making decisions. Canadian credit unions would also have their own national association, the structure of which already exists. Opponents of the resolution argued that it was too early to ask smaller countries to become autonomous; supporters said the new international structure could continue to provide all necessary support for smaller national groups.

**The planning committee report** offered several proposals for revising the basis on which national directors are elected by leagues. By-law amendments incorporating two of these proposals were also presented. One would have reduced the number of national directors going to CUNA annual meetings to two per league; another would have restricted future growth of the CUNA national board; a third would have required the election of president, secretary and treasurer of CUNA from the district vice presidents, thus cutting the size of the executive committee to twelve. All three proposals were rejected. The planning committee also reported that the budgets of four CUNA departments, and consequently the programs, were substantially behind levels recommended three years ago—public relations, organization, education and world extension.

**A new planning procedure** was outlined in the planning committee report and approved by the national board. By this procedure, the planning committee will hold a special meeting to evaluate the problems of the credit committee, and special task forces will be appointed to study the problems given high priorities. A proposal to set up a non-profit research foundation was debated, then turned back for further study.

**The 25th anniversary** of CUNA Supply Cooperative was celebrated at a banquet to which all CUNA national directors were invited. Former

presidents of CUNA Supply—Karl Little, W. O. Knight, Jr., and M. A. Pottiger — were presented silver gavels.

**President Kennedy's tax message** to Congress specifically recommended continuing the tax exemption of credit unions.

**The underwriting rule** of CUNA Mutual Insurance Society is back in effect. While under investigation by the antitrust division of the Department of Justice, CUNA Mutual had agreed to continue insurance to credit unions that pulled out of their league affiliations. Now the investigation is ended, and CUNA Mutual again refuses to write insurance for disaffiliated credit unions. The Decatur Washash Credit Union, which complained to the Department of Justice about the rule, has rejoined the Illinois Credit Union League.

**The truth-in-lending bill** introduced by Senator Paul Douglas last year and supported by the Credit Union National Association, has been introduced again. New testimony will be heard. In Canada a similar bill has died for lack of support.

**Richard Y. Giles**, who has been editorial director of The Credit Union Bridge since 1956, has resigned; he will join the staff of Consumers Union in Mt. Vernon, New York.

President John F. Kennedy has asked Congress for withholding of **taxes on dividends and interest income**; tax officials say too many people are not reporting. The big problem, of course, is dividends on common stocks, but credit unions will probably have to conform to whatever change in the law is made. If the change is made, report forms will be simple and easy to handle, it

is believed. The Credit Union National Association will not oppose this measure.

Requests for sample copies and bulk subscription orders for **Everybody's Money**, the new magazine for credit union members, poured into Filene House during May at a sturdy rate, giving reason to expect the magazine will reach the needed circulation for a break-even operation.

## COMING EVENTS

June 1-4—**New York** State Credit Union League annual meeting, Laurels Country Club, Monticello.

June 16-17—**Alabama** Credit Union League annual meeting Admiral Semmes Hotel, Mobile.

June 16-17—**Montana** Credit Union League annual meeting, Finlen Hotel, Butte.

June 19-23—**British Columbia** Credit Union League annual meeting, Nelson Civic Centre, Nelson.

June 28—**Prince Edward Island** Credit Union League annual meeting, Community Center, Charlottetown.

September 7-9—**Florida** Credit Union League annual meeting, Deauville Hotel, Miami Beach.

September 15-16—**Wisconsin** Credit Union League annual meeting, Schroeder Hotel, Milwaukee.

September 28-30—**Indiana** Credit Union League annual meeting, Sheraton Hotel, French Lick.

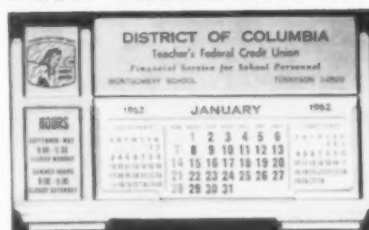
October 1-3—**New South Wales** Credit Union League annual meeting, Sydney.

October 13-15—**Kentucky** Credit Union League annual meeting, Kentucky Hotel, Louisville.

October 19—**Fiji** Credit Union League annual meeting, Yavulu, Sigatoka.

November 16-19—**Missouri** Credit Union League annual meeting Sheraton-Jefferson Hotel, Saint Louis.

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### **3 The day they move into their own home.**

A prudent husband safeguards the home his family loves by owning enough life insurance to take care of any unpaid mortgage. Life insurance guarantees this protection.

### **4 The job opportunity they've worked for.**

The risks of a new business or job opportunity can be assumed more readily when the family is protected by life insurance. And with life insurance, husband and wife know *in advance* exactly how much money will be available for an emergency, at any given time.

### **5 The retirement they've planned together.**

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# RESOLU



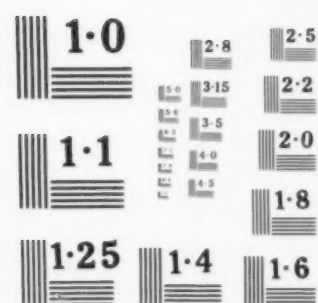
**INSTRUCTIONS** Resolution is expressed in lines per millimeter on the film under specified conditions. Numerical values are given for "T-shaped" groupings.

In microfilming, it is necessary to determine the resolution of the film chart by this value to find the number of lines per millimeter. For example, if the ratio, the line above is 100 millimeters in length and the line below is 100 millimeters in width, into 100 gives the reduction ratio. Example:  $100 \div 100 = 1$ .

Examine "T-shaped" line groupings in the chart. If the lines are recorded sharply and distinctly, multiply the number of lines per millimeter by the reduction ratio. Example: 7.9 lines per millimeter  $\times$  5 = 39.5 lines per millimeter. If the lines are not distinctly separated, the reduction ratio is not used. Example: 10.0 lines per millimeter  $\times$  5 = 50 lines per millimeter. If the lines are not distinctly separated, the maximum resolution is between 39 and 50 lines per millimeter.

Resolution, as measured on the film, is affected by the quality of the film, the processing, and other factors. These range from the quality of the film to the exposure, lack of critical focus, and exposure.

# UTION CHART



100 MILLIMETERS

is expressed in terms of the lines per millimeter recorded by a particular  
 mers in chart indicate the number of lines per millimeter in adjacent

to determine the reduction ratio and multiply the number of lines in the  
 er of lines recorded by the film. As an aid in determining the reduction  
 s in length. Measuring this line in the film image and dividing the length

Example: the line is 20 mm. long in the film image, and  $100/20 = 5$ .

ngs in the film with microscope, and note the number adjacent to finest

Multiply this number by the reduction factor to obtain resolving power  
 7.9 group of lines is clearly recorded while lines in the 10.0 group are  
 ratio is 5, and  $7.9 \times 5 = 39.5$  lines per millimeter recorded satisfacto-  
 meter which are not recorded satisfactorily. Under the particular condi-  
 on 39.5 and 50 lines per millimeter.

film, is a test of the entire photographic system, including lens, exposure,  
 e rarely utilize maximum resolution of the film. Vibrations during  
 exposures yielding very dense negatives are to be avoided.